
CIP Planning

INTRODUCTION

Planning for the six-year Capital Improvements Program (CIP) includes several significant factors:

Identification of Needs - Demand for capital investment is based on community needs as identified directly from citizens through Citizens' Advisory Board public forums or other public meetings, or by program departments working with citizens' advisory boards or individual citizens on a regular basis. Demands are also driven by demographic trends and land use plans in the growth and development of the County.

Readiness for Programming - Effective capital investments require careful thought and adequate public participation. Past CIP practices of programming notional projects, or placeholder costs, with details to be worked out later, are now discouraged. Instead, facility planning, generally that phase of work between strategic planning and budgeting, is strongly encouraged.

Affordability - The government's ability to afford capital facilities is based to a great extent on economic factors that affect the wealth of the community, measured in resident income and property value. Affordability is also influenced by variations in outside revenue sources such as Federal and State funding. In addition, the Charter requires the Council to set specific spending affordability guidelines (SAG) for both long-term debt issuance and annual operating budget spending. In setting these guidelines, the Council weighs taxpayer sentiment on taxes versus services and strikes its policy balance between operating programs and capital investment. These factors, in turn, determine the fiscal capacity of government to provide facilities to meet the demand for new or additional services according to adopted fiscal plans and fiscal policy.

The County Executive and County Council take these factors into consideration in making decisions regarding the actual content of the Capital Improvements Program. The scarcity of capital resources and heightened competition for available debt capacity has forced the CIP to become more focused and defined as a fiscal plan and capital budget, containing only projects which have been subjected to strong tests of demand, readiness, and affordability.

The following sections briefly describe these components of CIP planning, as well as other related activities or concepts which contribute to CIP planning. These descriptions are followed by a discussion of the demographic trends and economic factors which play an integral role in the identification of needs.

EVOLUTION OF PROJECTS

Identification of Needs

Needs Identified by Agencies and Departments - Capital facility planning efforts are ongoing in numerous agencies and departments, frequently based on functional plans, master plans, or agency standards. Following is an illustrative list of capital facility planning efforts:

- Ten-Year Water and Sewer Plan
- Water Quality Plan
- Countywide Stream Protection Strategy
- Community Policing Strategy
- Master Plan for Fire, Rescue, and Emergency Medical Services
- Ten-Year Solid Waste Management Plan
- Consolidated Transportation Program (State)
- Comprehensive Master Plan for Educational Facilities
- College Facilities Master Plan
- Recreation Facility Development Plan
- Strategic Facilities Plan for Public Libraries
- Parks, Recreation, and Open Space Plan
- Strategic Highway Plan

Community Needs Identification - In the Spring of 2003, the County Executive sponsored five capital facility needs forums held in conjunction with the five regional Citizens' Advisory Boards. Citizen priorities for capital projects identified at these forums were conveyed to the County Executive and departments and were considered in the development of departmental project recommendations. A synopsis of identified community needs and a discussion of projects identified as priorities are included in the Community Focus section of the CIP.

Park and Planning Commission Needs Identification - In addition to direct community input, the Maryland-National Capital Park and Planning Commission (M-NCPPC) submits a list of projects it proposes for inclusion in the CIP. These priorities are conveyed to the relevant departments and agencies of the government and are considered in the development of Executive recommendations.

Public Hearings on the CIP - Following transmittal of the Executive's Recommended CIP, and after the public has had time to study the programs, the County Council holds public hearings. Individuals may express their views on specific capital projects to elected officials at these public hearings or in writing. These public hearings are usually scheduled in February. To find out more about the Council public hearings on the CIP, and to register to testify, interested persons may call the Council Office at 240.777.7931. The public may also

find information about Council sessions at www.montgomerycountymd.gov, view hearings on television or on the web via video streaming, or attend Council worksessions on the CIP.

Countywide Planning Policies

Annual Growth Policy - Overall planning policies involve interdependence between the CIP as a budgeting document which allocates available public resources according to County priorities, and the Annual Growth Policy (AGP), the main purpose of which is to manage the location and pace of private development. The AGP is designed to affect the staging of development, matching the timing of private development with the availability of public facilities. It identifies the need for public facilities to support private development and constrains the number of private subdivision approvals to those that can be accommodated by existing and programmed public facilities.

In order to guide subdivision approvals under the Adequate Public Facilities Ordinance (APFO), the AGP tests the adequacy of four types of public facilities:

- Transportation
- Schools
- Water and Sewerage facilities, and
- Police, Fire, and Health services.

General Plan and Master Plans and Sector Plans - The General Plan Refinement of FY94 recognizes the importance of establishing priorities for the provision of public facilities. One objective is to give high priority to areas of the greatest employment and residential density when allocating public investment. Some County master plans, such as Bethesda and Germantown, have included phasing elements which provide guidance about the timing and sequence of capital facilities in order to develop a CIP that serves long-range needs. Recommendations of the Planning Implementation section of the County Executive's Office, based on approved master/sector plans, help determine the sequencing of CIP projects.

Maryland Economic Growth, Resource Protection and Planning Act

The Maryland Economic Growth, Resource Protection and Planning Act requires local governments to review all construction projects that involve the use of State funds, grants, loans, loan guarantees, or insurance for consistency with existing local plans.

A list of projects involving direct State participation is contained in the Budget Summary Schedules section of the CIP under Funding Sources: Program Open Space, State Aid, TEA-21, and Enhancement. A review of these projects for consistency with adopted County plans has been conducted during the FY05-10 CIP preparation process.

For the FY05-10 CIP, the County Executive or the requesting agency affirms that all projects which are expected to receive

State financial participation conform to relevant plans. This language appears in the "Coordination and Other Information" block on the relevant project description forms.

During the Council review process, the Planning Board comments to the Council, and a final determination as to consistency of projects with adopted County plans is made by the County Council. The Council adopts the CIP and approves a list of applicable State participation projects.

Facility Planning

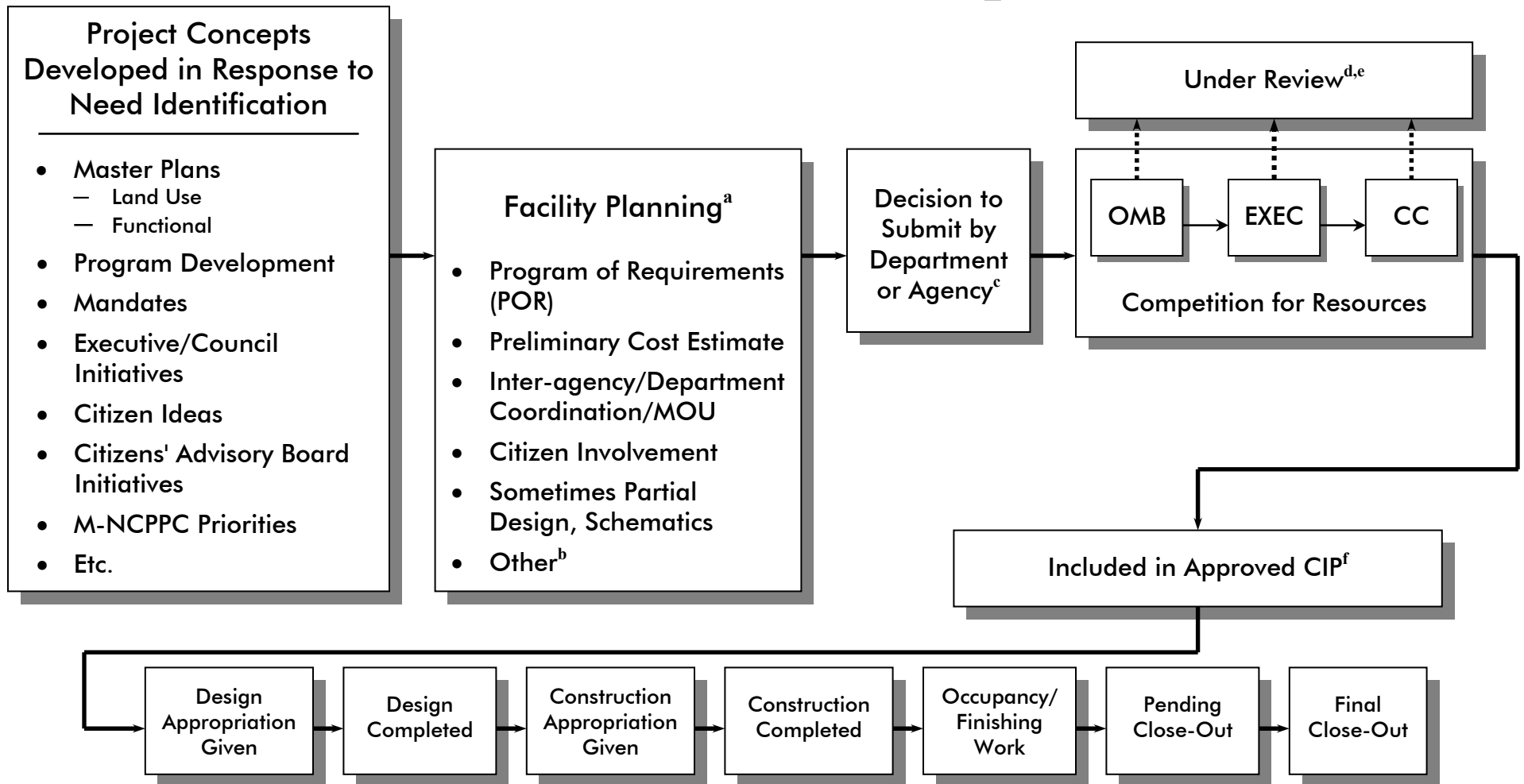
In many instances throughout the programs of the CIP, the Executive has not supported the inclusion of a project on a stand-alone basis, but has instead recommended its inclusion in a Facility Planning project. Generally, Facility Planning serves as a transition stage between strategic planning (overall needs assessment, review of major options, and choice of best method of programming to meet the need) and the inclusion of a stand-alone project in the CIP.

Facility Planning for capital projects is an analytical tool and a decision-making process which generates a clear definition of need and scope, utilizing a documented Program of Requirements (POR), and develops a defined cost estimate that is subject to minimal change. In the ideal, the strategic planning/programming phase will occur in the development and periodic update of master plans, out of which may flow more specific requirements for facilities. Facility Planning sometimes includes funds for preliminary design, though generally design as well as construction take place only when a stand-alone project is developed. Future stand-alone CIP projects which result from Facility Planning will, therefore, reflect planning (and sometimes design) costs lower than would be displayed on these projects in the absence of the Facility Planning process.

Following this process, projects are in a more effective position to compete for available resources. Completion of Facility Planning is essential for a project to be considered ready to compete for programming within the six-year period. Conversely, however, completion of Facility Planning does not guarantee project funding, especially immediately, given the wide array of projects competing for scarce resources. Projects that do not compete successfully may be judged competitive in a future budgeting cycle and programmed at that time for a place in a subsequent six-year period. The chart on the following page displays in more detail the process by which a capital project evolves.

Capital Improvements Program

Evolution of Projects



Notes

a) Systematic "facility planning" is a fairly recent addition to the CIP process. It is not, therefore, part of the history of every current project. The

Executive and Council both support this stage of work, however, and OMB is increasingly insistent on completion of facility planning before a proposal is judged ready to

compete for scarce resources.

b) Site selection, inter-governmental funding, etc., can be happening along the way.

c) E.g., Board of Education, College Trustees, Fire/Rescue

Commission, or Director, Recreation

d) Evaluation criteria/methods vary.

e) Projects judged not competitive for available funds may

still be meritorious and may be resubmitted later.

f) Projects in the Approved CIP are reviewed in each biennial cycle by OMB, the Executive and the Council.

The text in all Facility Planning projects is standardized to the extent possible, and most Facility Planning projects include a list of candidate projects.

Projects of a Facility Planning nature are now recommended for all major tax supported agencies and are listed below:

<u>Project Name</u>	<u>Department/Agency</u>
Facility Planning: MCG	DPWT
Facility Planning: Transportation	DPWT
Facility Planning: Bridges	DPWT
Facility Planning: Parking	DPWT
Facility Planning: Storm Drains	DPWT
Facility Planning: Stormwater Management	DEP
Facility Planning: Housing and Comm. Development	DHCA
Facility Planning: College	Montgomery College
Facility Planning: MCPS	MCPS
Facility Planning: Non-Local Parks	M-NCPPC - Parks
Facility Planning: Local Parks	M-NCPPC - Parks

Work is underway between Executive Branch staff and the WSSC regarding Facility Planning in that agency.

More information on these projects and their programmed expenditure levels may be found in the Multi-Agency section of the CIP, as well as on their respective project description forms.

The Executive continues to recommend greater use of the facility planning process by all agencies of government. Specific project recommendations pursuant to this policy are included in the various department and agency program sections of the CIP.

RESOURCE ALLOCATION PROCESS

Fiscal Planning

Executive and Council decisions regarding the affordability of proposals to meet community needs are generally made in the context of established fiscal plans and fiscal policies.

The CIP is a major tool for multi-year fiscal planning, covering capital expenditures and their funding for all County agencies. In addition, the Office of Management and Budget produces fiscal projections, covering both the CIP and the Public Services Program (PSP), which apply to the operating budgets of the agencies. This fiscal planning process is intended to:

- provide a multi-year fiscal framework, to complement the annual operating and capital budget processes;
- increase the opportunity for elected officials to influence the character and content of fiscal policies on a "top-down" basis;

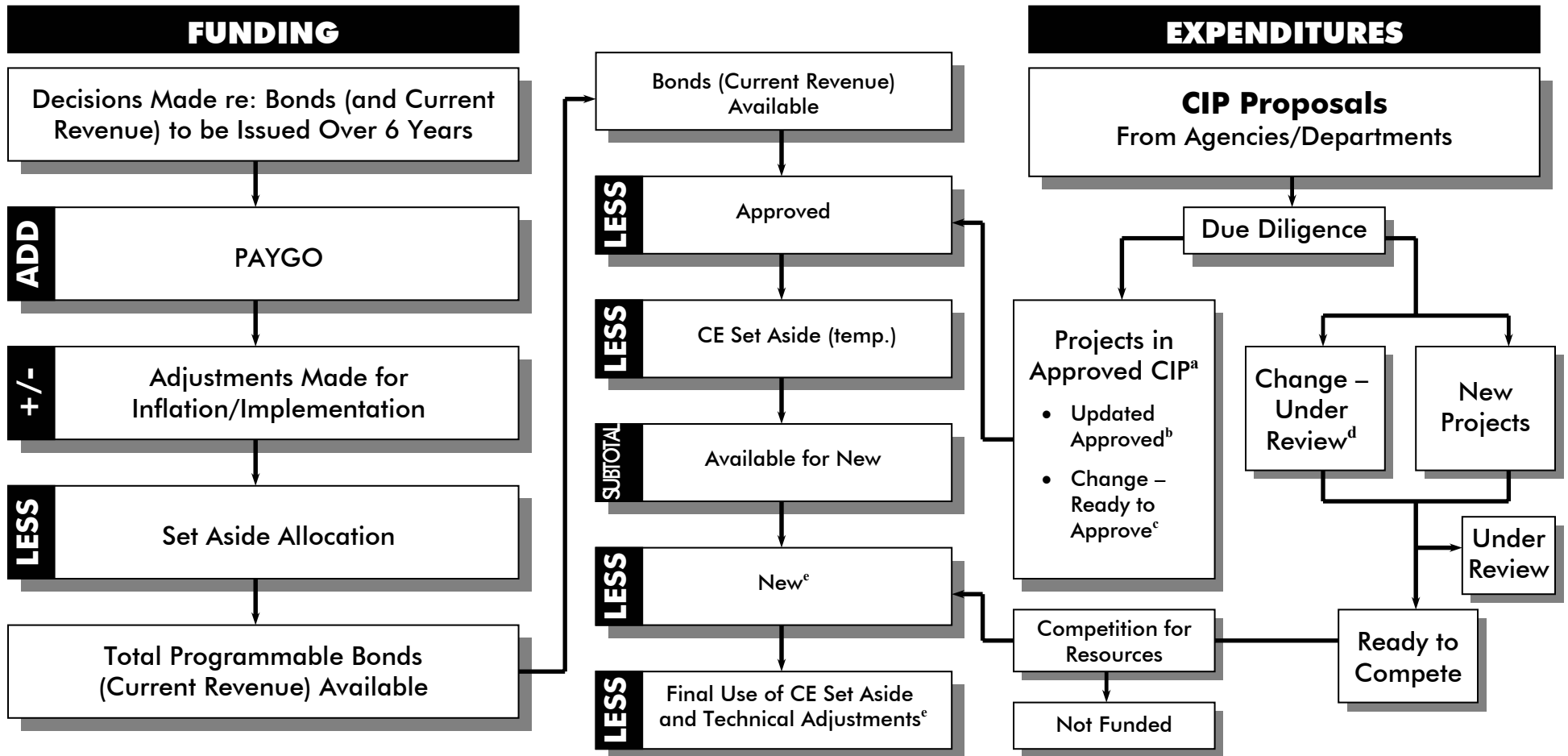
- improve communication with the public regarding fiscal options and plans; and
- improve the integration of the PSP/Operating Budget and the CIP/Capital Budget with respect to fiscal and workforce level planning, fiscal and program policy planning, fiscal and collective bargaining planning, and fiscal actions by the County and at the State level.

Components of the fiscal projections are used to advise the County Council in its consideration of Spending Affordability Guidelines for both the CIP/Capital Budget and PSP/Operating Budget. They are used by the Executive as well, in macro-level fiscal decision-making related to the CIP and PSP.

The chart on the following page describes the process currently used by OMB and the County Executive to allocate scarce resources among competing proposals.

Capital Improvements Program Resource Allocation Process

Process Used by OMB/County Executive to Allocate Bonds (and Current Revenue) Among Competing Requests



Notes

a) All projects in the Approved CIP are reviewed each biennial cycle by OMB.

b) Projects which are proceeding as approved in previous CIP.

c) Projects which include minor, non-discretionary changes to the Approved CIP.

d) Projects currently in the Approved CIP, but

department/agency proposes expansion of scope and/or other major change.

e) Allocation of 6-year funds available does not always

achieve affordable allocation by year. Timing may need to be adjusted.

Fiscal Policy

Fiscal policy is the combined practices of government with respect to revenues, expenditures, and debt management. Fiscal policy for the CIP focuses on the acquisition, construction, and renovation of public facilities and on the funding of such activities, with special attention to long-term and other borrowing. It is integral to CIP Planning in order to:

- encourage careful and timely decisions on the relative priority of programs and projects;
- encourage cost-effectiveness in the type, design, and construction of capital improvements;
- assure that the County may borrow readily for essential public improvements; and
- keep the cost of debt service and other impacts at levels affordable in the operating budget.

For more information, please refer to the Fiscal Policy section of the CIP.

Operating Budget Impacts

Operating Budget Impacts (OBI) in the aggregate represent a significant portion of the future operating budget growth related to increased population, households, commercial activity, and resulting demands for public services. Within specific CIP programs, OBI may influence whether the County should defer a particular project or reduce its scope so as not to further pressure annual operating budgets. A discussion of operating budget impacts is contained in the Operating Budget Impacts section of the CIP and on individual project description forms.

DEMOGRAPHIC AND ECONOMIC BACKGROUND FOR CIP PLANNING

Requirements for new or enlarged public facilities (such as roads and schools) are usually generated by population growth as new housing and businesses come into the less developed areas of the County. Demographic changes, from the age of County residents to the arrival of new immigrants into the County, also play a part in determining facility needs. At the same time, the incomes of County residents and the value of their property affect the fiscal ability of the government to provide new services and finance the construction of new facilities.

The Montgomery County Public Schools (MCPS) CIP, for example, is affected by birth rates and the location of new housing. Park and recreation facility needs are shaped by the age, cultural interests, and location of user populations. The reader is encouraged to obtain and read the program planning documents of various departments and agencies for more information on how different demographic and economic factors affect a particular set of CIP projects. For specific information please see the CIP demographic and economic planning data at www.mcparkandplanning.org/research/omb/.

Demographic and Housing

Maryland-National Capital Park and Planning Commission (M-NCPPC), working with the Washington Metropolitan Council of Governments (COG), develops cooperative forecasts for the County and neighboring jurisdictions.

Housing Units and Households - CIP planning monitors the changes in the number of housing units because new housing makes new household formation possible. Demand for many public services, such as fire, transportation, environmental protection, police, and water and sewer is based at least as much on the number of houses as on population.

Population and Birthrates - Population projections are based on household projections, with adjustments for trends in household composition, birth rates and mortality, immigration, and emigration trends.

School Populations - In addition to school facilities, the impact of growth in the school-age population increases the need for recreational and transportation facilities.

Age and Work Force - The CIP considers the needs for the residents of the County, some of which are related to age and age groups. Some examples include the needs of the County's work force (adults aged 16 to 74), and the needs of retirees—including the impact of the Baby Boomers (persons born between 1946 and 1964).

Geographic Distribution - While much of CIP planning addresses Countywide needs, such as the transportation system, the capital construction program must respond to specific and changing needs of individual County geographic or planning areas, business districts, and neighborhoods.

U. S. Census Statistical Areas - As a result of regional population growth indicated by the 2000 census, the Federal Government created a Combined Metropolitan Statistical Area (CMSA) which incorporates the previous Washington and Baltimore Metropolitan Statistical Areas (MSA). The new CMSA is the fourth largest metropolitan area in the United States. Effects on CIP planning may include adjustments to various formulas for the distribution of Federal grants and other aid and the setting of Federal "fair market" rental levels for assisted housing units.

The Economy and Economic Development

The County's capital investment is aimed in part at ensuring the strength and competitiveness of the local economy. CIP projects support and implement the redevelopment of Silver Spring; the improvement and replacement of infrastructure in other commercial areas, including local retail areas such as Wheaton; the growth of medical and biotechnology industries near major Federal health and medical facilities; the provision of inexpensive and convenient public parking, as well as extensive public transit serving commuters and retail and

business enterprises; and the availability of a broad range of housing choices.

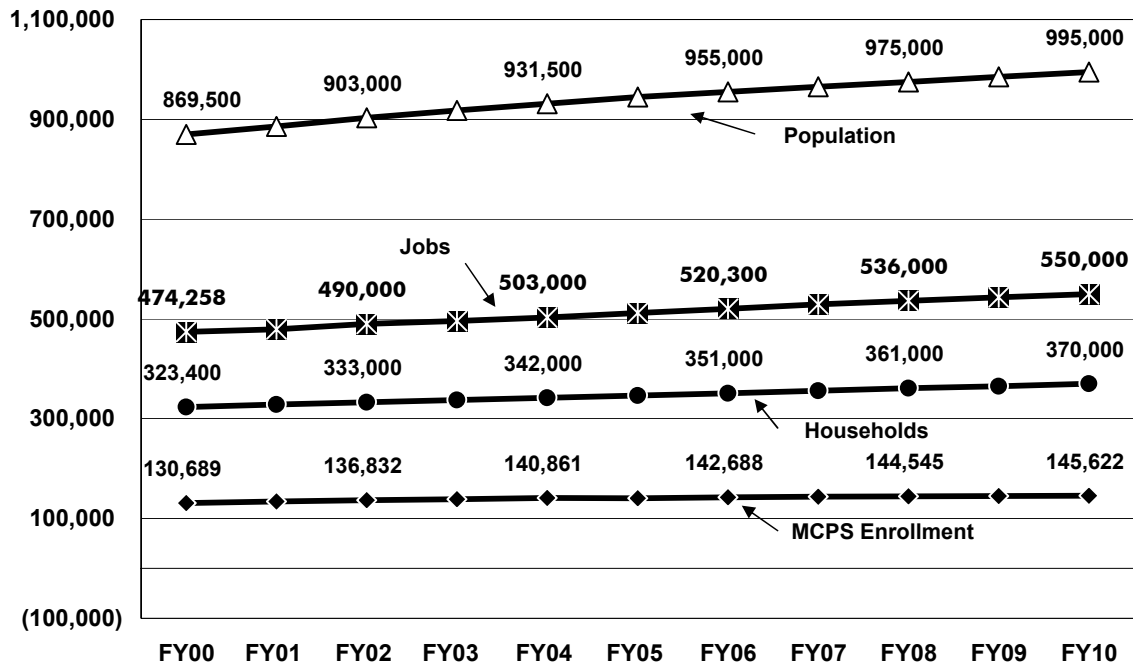
Assessable Property Tax Base - The assessable base reflects the taxable value of all property in the County, as determined by State assessors in a cycle under which each property is examined every three years. The financing of the County's Capital Program depends in large part on property tax revenues. The County Charter limits annual increases in property tax revenues to the rate of inflation plus taxes obtained from new construction or changes in property use, unless seven or more Council members vote to exceed the limit.

Inflation - The rate of inflation affects CIP planning in two primary ways: the effect on project costs which must be absorbed within limited resources; and the effect on projected debt capacity, which is determined in part by estimated increases from property tax and other revenues available for debt service. Inflation is measured as the Washington – Baltimore Combined Metropolitan Statistical Area (CMSA) Consumer Price Index (CPI).

TRENDS AND PROJECTIONS

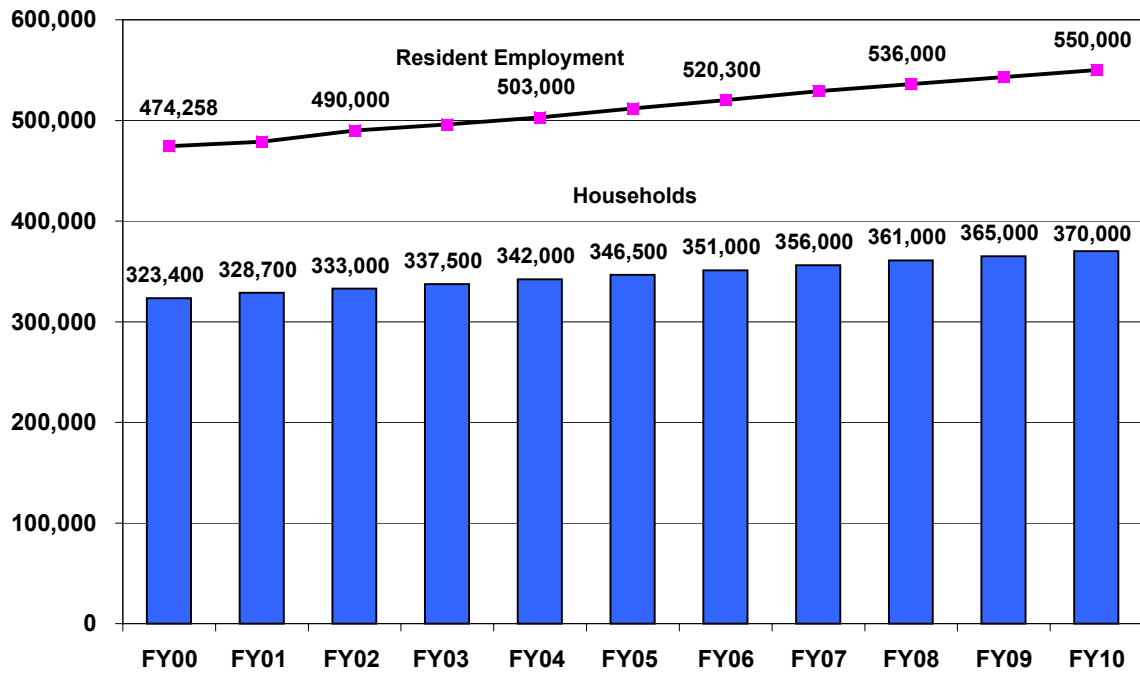
DEMOGRAPHIC AND PLANNING INDICATORS	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
POPULATION (Jan = Calendar Year)	918,000	931,500	945,000	955,000	965,000	975,000	985,000	995,000
Annual Increase	15,000	13,500	13,500	10,000	10,000	10,000	10,000	10,000
Population Growth Since 1996	11.6%	13.2%	14.9%	16.1%	17.3%	18.5%	19.7%	20.9%
County Resident Births (Prior Calendar Year)	13,150	13,200	13,250	13,300	13,350	13,400	13,450	13,500
HOUSEHOLDS (Jan = Calendar Year)	337,500	342,000	346,500	351,000	356,000	361,000	365,000	370,000
Household Annual Growth (%)	1.4%	1.3%	1.3%	1.3%	1.4%	1.4%	1.1%	1.4%
Household Growth Since 1996	10.5%	12.0%	13.5%	15.0%	16.6%	18.2%	19.6%	21.2%
Household Growth Since 1992	15.9%	17.4%	19.0%	20.5%	22.3%	24.0%	25.3%	27.1%
Household Size	2.72	2.72	2.73	2.72	2.71	2.70	2.70	2.69
RESIDENT EMPLOYMENT (Jan = Calendar Year)	496,000	503,000	512,000	520,300	529,000	536,000	543,000	550,000
Resident Employment Annual Growth (%)	1.2%	1.4%	1.8%	1.6%	1.7%	1.3%	1.3%	1.3%
Resident Employment Growth Since 1996	7.3%	8.8%	10.7%	12.5%	14.4%	15.9%	17.4%	19.0%
Resident Employment Per Household	1.47	1.47	1.48	1.48	1.49	1.48	1.49	1.49
Jobs in County	567,000	575,000	585,000	600,000	611,000	618,000	624,000	630,000
PERSONAL INCOME (\$ Millions)	\$48,800	\$50,900	\$53,300	\$55,900	\$58,600	\$61,300	\$64,000	\$66,900
Per Capita Personal Income	\$53,160	\$54,640	\$56,400	\$58,530	\$60,730	\$62,870	\$64,970	\$67,240
Annual Growth (%)	2.1%	2.8%	3.2%	3.8%	3.8%	3.5%	3.3%	3.5%
CONSUMER PRICE INDEX (CPI) - Fiscal Year	2.8%	2.9%	2.4%	2.3%	2.4%	2.5%	2.4%	2.3%
Inflation Growth (Fiscal Year) Since Nov. 1996 (%)	31.5%	36.2%	12.7%	8.0%	12.7%	17.4%	12.7%	8.0%
CONSUMER PRICE INDEX (CPI) - Calendar Year (%)	3.2%	2.7%	2.3%	2.4%	2.4%	2.5%	2.3%	2.4%
ASSESSABLE TAX BASE (\$ Millions)	\$86,635	\$93,321	\$101,640	\$113,399	\$126,063	\$136,614	\$143,702	\$149,078
Annual Growth (%)	5.9%	7.7%	8.9%	11.6%	11.2%	8.4%	5.2%	3.7%
Growth of Base Since 1992 (%)	44.8%	56.0%	69.9%	89.6%	110.7%	128.4%	140.2%	149.2%
Growth of Base Since 1996 (%)	26.2%	35.9%	48.0%	65.2%	83.6%	99.0%	109.3%	117.1%
INVESTMENT INCOME YIELD (%)	1.59%	1.10%	2.10%	3.10%	4.20%	4.60%	4.80%	5.20%
MCPS ENROLLMENT (Sept = Calendar Year)	138,891	140,861	140,758	142,688	143,844	144,545	144,963	145,622
Annual Growth (%)	1.5%	1.4%	-0.1%	1.4%	0.8%	0.5%	0.3%	0.5%
Annual Increase (Decrease)	2,059	1,970	(103)	1,930	1,156	701	418	659
MONTGOMERY COLLEGE ENROLLMENTS	21,805	22,190	22,640	23,110	23,460	23,790	23,840	23,840
Annual Growth (%)	2.14%	1.77%	2.03%	2.08%	1.51%	1.41%	1.51%	1.51%
Full Time Equivalents (Sept = Calendar Year)	13,803	14,203	14,240	14,890	15,166	15,423	15,700	15,700
Annual Growth in FTE's (%)	2.43%	2.90%	0.26%	4.56%	1.85%	1.69%	1.85%	1.85%
MOTOR VEHICLE REGISTRATIONS	709,000	718,000	727,000	736,000	746,000	756,000	764,000	774,000
Automobile Registrations	612,000	620,000	628,000	636,000	645,000	654,000	661,000	670,000
Trucks and Other	97,000	98,000	99,000	100,000	101,000	102,000	103,000	104,000
Automobile Registrations per Household	1.813	1.813	1.812	1.812	1.812	1.812	1.811	1.811
Vehicle Registrations per Household	2.101	2.099	2.098	2.097	2.096	2.094	2.093	2.092

Underlying Demographic Trends



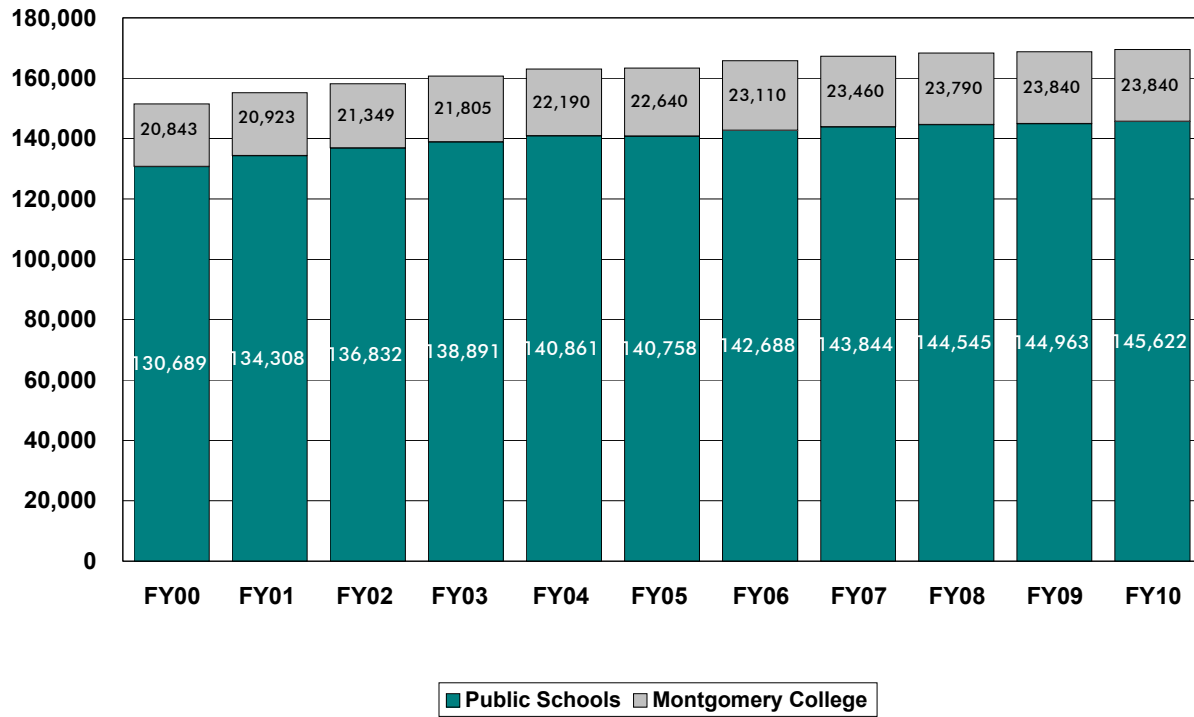
Sources: M-NCPPC and Department of Finance

Households and Resident Employment



MONTGOMERY COUNTY PUBLIC EDUCATION ENROLLMENTS

Trends and Projections



Inflation: Trends and Projections

